Washington, DC – Congressman Joe Sestak (PA-07) voted for, and the House passed by a 263-171 vote, the Emergency Economic Stabilization Act of 2008 (HR 1424). The President immediately signed the bill into law. The Congressman supported the proposal to ensure his constituents do not face the unavailability of affordable car, education, small business and other consumer loans, or a crash in the stock market, where the value of life savings, pensions, and 401K's is lost. —

"These are difficult times, and I believe it was necessary to support this legislation because not acting would have caused even greater harm to our economy and would have risked creating a deep, protracted recession," said Congressman Sestak. "I believe that we must take action to remove the dead weights that are pulling down our economy, contributing to job losses for 605,000 Americans this year, declines in house and new car sales by more than 20%, and foreclosures for one million American families, with millions more expected. Without strong, decisive action we would almost certainly face the prospect of severely damaging credit availability for many of my constituents who need financing for a home, education, car, small business, or other kinds of consumer loans."

Congressman Sestak has been focused on the developing crisis in our financial markets since February when the Pennsylvania Higher Education Assistance Agency (PHEAA) alerted him that it had to stop making student loans because of the problems in the credit markets. The Congressman wrote then to the Secretary of the Treasury and the Chairman of the Federal Reserve Board, asking for direct intervention, but Chairman Bernanke responded that the "most important contribution that the Federal Reserve can make … is to foster the restoration of more-normal functioning in financial markets more generally."

Unfortunately, over the last seven months, that proved wrong. Instead, what began with foreclosures in sub-prime mortgages, has now engulfed and devastated a growing number of financial institutions, causing a widespread credit freeze that affects his constituents, where lending has stopped because of the fear that mortgage-related securities held by banks may soon make these banks insolvent. During a call with Secretary Paulson and Chairman Bernanke, they admitted that this was the worst financial crisis since World War II – that means the Great Depression.

"A small family laundry business closed in my district because it could not get a loan to repair equipment; a 68-year old woman lost more than $100,000 in her retirement savings as the market crashed last Monday; and a father with a strong credit history could not get a mortgage for his family," said Congressman Sestak. "I have heard from citizens, outraged that the country is in this situation, and it is clear that, over recent years, we failed to have the proper market oversight to prevent this."

A bi-partisan group of Members of the House of Representatives took the original three-page proposal offered by Secretary Paulson -- which was clearly inadequate - and constructed an effective and accountable plan. Its key points are:

Provide Liquidity and Confidence to Financial Markets
The primary objective was to protect the interests of American taxpayers from an impact on the economy, their jobs, personal savings and pensions. Stability and confidence must be restored to the financial markets and banking system. This is fixed by giving the U.S. Treasury the authority to purchase and ultimately sell for the taxpayer's potential profit the troubled mortgage and mortgage related securities – because the U.S. Treasury is the only institution with the capital to remove these securities and restore the confidence to allow lending to begin again.

Protection for Taxpayers, Oversight, Transparency, and Accountability,
To protect the taxpayers' money, the bill ensures that American taxpayers take a share in any profit when the firms and the markets recover. This would come through "warrants" which would provide shares of company stock to the government as well as the rights to recover assets if a company fails.
The bill also requires that if—at the end of the five years—the taxpayers have not recovered all of their investment in profits, the President must submit a plan to ensure taxpayers are repaid in full, by having the financial industry cover the remaining shortfall.
There will be four independent entities to provide the oversight, regular reporting, and public transparency of asset purchases and to prevent conflicts of interest. For example, within two business days, the Secretary must publish details of any transaction.
The authority also is set up in "installments" – starting with $250 billion upon enactment of the bill; another $100 billion, if necessary, with Presidential notification; and with the final $350 billion requiring further Presidential notification to Congress for its review, and disapproval, if appropriate.
Criminals will be punished, with the Federal Bureau of Investigation (FBI) already investigating 26 cases of potential corporate fraud at Fannie Mae, Freddie Mac, Lehman Brothers and AIG, and the number is expected to rise.

Protection for Legitimate Homeowners
The bill also has provisions to break the cycle of mortgage foreclosures which are at the root of the problem. If a number of homes in our neighborhoods suddenly go empty, and the property taxes go unpaid, and no one has the credit to purchase the vacant houses, everyone's property values will be diminished, and there will be a devastating effect on our schools and community protection services.
The bill, therefore, provides for the government to restructure loans, for example, through the

homeowners' program passed into law earlier this year: the lender and the homeowner must agree to take losses down to 87% of the house's current market value, but the homeowner receives an affordable fixed rate loan backed by the government – with an agreement that the taxpayer gets at least 50% of any gain on the resale of the house. This will help reduce the forecasted 2 million annual foreclosures that would otherwise occur, dragging down the economy.

Executive Compensation

There are restrictions to prohibit excessive payments to executives including prohibiting/limiting "golden parachutes" and the tax deductibility of excessive compensation for the top five executives. For example, if the Government purchases assets from a troubled firm and receives an ownership stake, the government will recover any bonus previously paid to an executive if statements are later found to be inaccurate.

Regulatory Reform

The bill included provisions to develop as quickly as possible a comprehensive restructuring of the financial regulatory system.

"In sum, I voted for this bill for one primary reason: if action were not taken, it will be exponentially worse. If we do not have banks able to lend to small businesses at rates they can afford, unemployment-- which is at 6.1%-- will rise even further as people get laid off; their family incomes will then decrease; and they will be unable to afford their mortgages, or the increasing cost of car, education and other types of loans.

"This action, while regrettable, is necessary, as the trillion dollar loss in pensions, savings, and 401K plans showed when the stock market collapsed last Monday. I, therefore, am following the adage of the ancient mariner who said of a natural storm 'woe be the seaman who does not take precautions, lest they might prove unnecessary.' I strongly believed it was unwise not to take this precaution now for this man-made financial storm."

In addition, the bill passed by the Senate, and sent to the House included several essential tax-cut extensions that will provide relief to more middle-class families; create and save over 500,000 American jobs; spur business investment and innovation; bring us closer to energy independence; ensure parity for mental health care; and provide assistance to victims of recent natural disasters. Of particular interest for families, the bill extends and expands:

· Alternative Minimum Tax (AMT) Patch, which extends the AMT exemption and increases it for

inflation to provide more than $60 billion in tax relief to more than 20 million American families, including nearly 100,000 of my constituents;
· Child tax credit, which helps families of 13 million children by allowing a $1000 child tax credit.
· State and Local Sales Tax deductions, which benefits up to 11 million American families;

For businesses, the bill: Extends the R&D tax credit among other provisions. For Energy Independence, the bill provides:
Eight-year extension of the investment tax credit for solar energy;
Two-year extension of the production tax credit for energy derived from biomass, geothermal, hydropower, waves and tides, landfill gas and solid waste;
One-year extension of the PTC for energy derived from wind;
Eight year-extension and significant expansion of the residential solar tax credit;

Additionally, the bill establishes mental health parity, which requires private insurance plans that offer mental health benefits as part of the coverage to offer those benefits on par with physical care benefits. Any cost-sharing or benefit limits imposed on mental health services must not be any more restrictive than those imposed on physical care services.

Born and raised in Delaware County, former 3-star Admiral Joe Sestak served in the Navy for 31 years and now serves as the Representative from the 7th District of Pennsylvania. He led a series of operational commands at sea, including Commander of an aircraft carrier battle group of 30 U.S. and allied ships with over 15,000 sailors and 100 aircraft that conducted operations in Afghanistan and Iraq. After 9/11, Joe was the first Director of "Deep Blue," the Navy's anti-terrorism unit that established strategic and operations policies for the "Global War on Terrorism." He served as President Clinton's Director for Defense Policy at the National Security Council in the White House, and holds a Ph.D. in Political Economy and Government from Harvard University. According to the office of the House Historian, Joe is the highest-ranking former military officer ever elected to the Congress.

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